GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:779
ANSWERED ON:05.12.2003
FISCAL DEFICT OF CENTRE AND STATES
DALPAT SINGH PARASTE;KINJARAPU YERRANNAIDU;MOINUL HASSAN AHAMED;PRIYA RANJAN DASMUNSI

Will the Minister of FINANCE be pleased to state:

(a) whether the Government`s attention was drawn to the statements made by Chairman of 12th Finance Commission while addressing the seminar organised by the National Institute of public finances and policy and also by Mr. Nicholas Stern, the Chief Economist of the World Bank made in Dubai on September 20,2003, expressing concern about the rising fiscal deficit of the Central and State Governments in India and stressing the need for firm steps to bring it down;

(b) if so, the total fiscal deficit of the Central and State Governments during 2001-02, 2002-03 and that estimated for 2003-04; and

(c)the steps since taken and being taken to bring it down substantially;

(d) whether most of the States were asked to resort to Outside Market Borrowings (OMB); and

(e) if so, to what extent in each case?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a):Yes Sir, the Government is aware of the statement made by the Chairman of 12th Finance Commission while addressing the seminar organised by National Institute of Public Finance and Policy.

(b):The fiscal deficit of the Centre and the State Governments are as follows:-

Fiscal Deficit Ratio to GDP

	(Rupees in Crore)		(per cent)	
Year	Centre	States	Centre	States
2001-02 (RE)	131721	103732	5.74	4.52
2002-03 (BE)	135524	98965	5.53	4.04
2003-04 (BE)	153637	N.A+	5.60	N.A+

+ Not Available

(c): The Fiscal Responsibility and Budget Management Act, 2003has been enacted.It enjoins upon the Central Government to set limits on Government borrowings, debt and deficits. In particular it seeks to eliminate revenue deficit for the Central Government by 31st March, 2008. A number of State Governments have alsoinitiated steps towards setting out a roadmap for greater fiscal rectitude. Further,in order to supplement the efforts of the State Governments towards fiscal consolidation, Government of India has also created a `States` Fiscal Reforms Facility (2000-01to2004-05)`. This facility provides incentives to States to undertake fiscal reforms aimed at reducing revenue deficit by 5% every year under a Medium-Term Fiscal Reforms Programme (MTFRP). The Government of India also works with State Governments to limit their borrowing programme as part of MTFRP to bring the debt to sustainable level.The Government of India also initiated a debt swap programme to reduce interest cost to State Government besides streamliningthe process for giving State Guarantee for non-viable projects. Government ofIndia hasalso assisted some State Governments to avail multilateral institutional funding forundertaking fiscal and structural reforms.

(d) & (e): No, Sir.